Senior Living 100 MBA Session Panel

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Senior Living and the Affordable Care Act: Opportunities, Innovations and Economics

As reform initiatives catalyzed by the Affordable Care Act (ACA) continue to drive reductions in utilization of acute and post-acute healthcare services, new models of care will be imperative for providers of assisted living, independent living and continuing care retirement communities.

Lincoln Healthcare Group assembled C-level senior-care executives to delve into these opportunities and challenges at its 2015 Senior Living 100 conference, March 2-4 in Key Biscayne, Florida.

During an Executive MBA Program that kicked off the event, a diverse panel of acute and post-acute healthcare executives discussed innovations that their organizations are undertaking to deliver more services to seniors in their homes or less-expensive care settings, and work together to ease care transitions and improve patient care while lowering overall costs.

Survey Respondents Indicate Growth Plans

Lincoln Healthcare's Executive MBA session built on the results of a proprietary, nationwide study. Leading assisted living (AL), independent living (IL), and continuing care retirement community (CCRC) providers responded to questions about the challenges and opportunities created by the ACA.

	# Respondents	Not-For-Profit	For-Profit
Overall	46	59%	41%
AL/IL	20	25%	75%
CCRC	26	85%	15%

Participants were divided on the overall impact of the ACA. While 50 percent believe the law is triggering opportunities for organizational growth, 25 percent are neutral on the issue, and another 25 percent believe they will be negatively impacted. Only about 30 percent of respondents expect the ACA to cause their organizations to price services differently.

Survey respondents do have strong inclinations toward growth. The majority of both groups (60 percent of CCRCs and 76 percent of AL/IL respondents) have an acquisition planned or already in the works. Among those organizations, most said they are pursuing those initiatives as a result of consumer preferences rather than competitive pressures from other facilities.

Not surprisingly, most respondents have already established at least one formal affiliation with an AL, IL, skilled nursing facility or home health agency. However, less than half of the respondents have any type of affiliation with a hospital, and far fewer have established a relationship with a behavioral health agency. Looking forward, about 80 percent of respondents will pursue a hospital affiliation within the next 24 months. In written responses, participants indicated interest in expanding relationships with physicians, including opportunities to rent space to dialysis clinics and other physician practices.

Survey participants also discussed their plans for new service offerings including:

- **Care coordinators**. Most AL/IL respondents already have care coordination resources; about 40 percent of CCRCs are currently pursuing or planning to bring care coordinators in house.

- **Physician extenders**. Less than half of survey respondents have physician extenders or are planning to bring them in. Generally, those respondents that don't already have physician extenders on staff have no current plans to incorporate them.

- **Cottage neighborhoods**. Nearly half of respondents either currently have these "small house" neighborhood designs in place or are planning to pursue the strategy soon.

- **Memory care**. Almost all respondents are now presently or planning to look at memory care services.

With these survey results as a backdrop, the MBA session panelists addressed three key questions about the roles of senior-living providers in the post-ACA world:

1. What innovations are you focusing on that promote population health?
2. How aggressive will your organization be in putting revenue "at risk"?
3. What technology solutions has your organization invested in to promote customer satisfaction or provide avenues for innovative patient care?

Innovations in Population Health

One point that became very clear during the course of the MBA session was that senior-care facilities must be committed to collaborating with both acute and post-acute providers to coordinate care across venues.

"With the aging population and the shift into value-based payer relationships, there are such tremendous opportunities for all of us in this space," said Brian Cloch of Transitional Care Management. "Everyone in this room is part of the solution to the transformational change that is needed in the healthcare delivery system."

Whereas other countries have long recognized a broad array of supportive services as a crucial part of the healthcare infrastructure, only in the last few years has the United States healthcare system woken up to that fact.

"Many of the services senior-care organizations provide that have historically been viewed as supportive services are now recognized as important elements in controlling healthcare costs," Plante Moran's Betsy Rust told attendees. "Case management and care transition services that include a focus on social determinants of health are being welcomed and endorsed by payers and by health systems. I think there are tremendous opportunities for you to think about how you can continue to develop those services and monetize the impact of your organization's services in reducing healthcare costs for seniors."

Holland Home CFO, David Tiesenga, and President, Mina Breuker, described an innovative model that the not-for-profit CCRC has rolled out with three other senior-care providers and an ambulance EMS provider in Grand Rapids, Mich. Tandem 365, which uses the tagline "Care is better together," provides a comprehensive array of services to seniors to manage chronic conditions and improve overall health while enabling them to remain in their homes or AL/IL facilities.

A collaborative effort between Holland Home, three CCRCs, and an EMS company, the group contracts with Medicare Advantage programs to provide care transition services that lower the total cost of care by avoiding unnecessary ED, hospital or nursing home admissions. "It originated by a group of us looking at hospital readmission rates and saying, 'How do we get those lower?'" Tiesenga said. The group's EMS company is a strong advantage in managing costs by facilitating onsite care rather than an expensive trip to the hospital, he said.

After about a year in the pilot program, Tandem365 has demonstrated impressive benefits to the payer; it has generated average savings of $16,000-$20,000 per member.

Tandem 365 has lowered:

- **Acute inpatient stays by 24.9%**
- **ER visit by 62.1%**
- **Outpatient visits by 40.4%**
- **Specialty visits by 48.8%**
- **SNF stays by 87.4%**
- **SNF days by 89%**

With regard to transitions between care environments, the opportunity for improvement is so great because it has such a long way to go, panelists agreed.

"Currently, it's a disaster," said Scott Pingree of Intermountain Healthcare, a large not-for-profit health system based in Utah. "Patients really struggle with it." Pingree shared a story of a 67-year-old cancer survivor on full-time dialysis who reported in an Intermountain focus group that coordination among his many healthcare providers was lacking.

"What it highlighted for us was that there has to be a better way to manage that care across the continuum," Pingree said. "We're trying to move from a market where we've been treating sickness to a market where we're enabling health. It's a paradigm shift."

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To make that shift, Intermountain is encouraging shared accountability among providers, payers and patients. The three keys to facilitating that shared accountability, Pingree said, are:

- Embracing evidence-based medicine
- Engaging patients
- Aligning incentives

Cloch has built a career around improving care transitions for seniors. Seven years ago, he left an operational role in his assisted living company to start a series of ancillary businesses, including home health, hospice, pharmacy and physical therapy. His mission: improve care coordination and transitions between care settings for his residents, one of whom is his mother.

"I was getting increasingly frustrated with my inability to control outcomes for my residents," Cloch said. "In order for me to do it successfully, I needed coordination of physician services, hospice, home health, therapy, and medications."

One of the companies Cloch founded, Transitional Care Management, contracts with managed care companies to provide care coordination services for higher risk members who are eligible for long-term services and support (LTSS) or home and community-based (HCBS) waiver services. The Illinois Medicare-Medicaid Alignment Initiative (MMAI) demonstration project shifted 135,000 into six managed care companies for 2015 in response to the financial burden created by the growing population of dual eligibles. "The only way those managed care companies were going to be successful was to be ahead of the curve," Cloch said.

When senior-care facilities are weighing any type of new venture, including whether to "build or buy" a home health agency, Cloch encouraged them to first be clear about their organization's overall vision and whether or not they really want to enter the more complex world of skilled nursing, home health, hospice, physical or occupational therapy.

Cloch's goal in founding those businesses, he told attendees, was less about profit within those entities and more about keeping his long-term living buildings full. "At the end of the day, I'll make more money owning the assisted living facility and having that building be full of happy and healthy people than I will with any of these ancillary businesses," he said.

Panelists encouraged senior living leaders to exercise caution with regard to the decision of whether and how to enter the home health market. Whereas home health coordination has the potential to drive benefits for the senior-care organization, payers and residents, it is a complex business that requires potentially expensive Medicare certification.

# of Active Home Health Agencies	
2003	2012
7,235	12,311

% of Medicare Beneficiaries Using Home Health	
2002	2012
7.2%	9.4%

Randall Residence chose to establish a joint venture with an existing home health company rather than try to create the agency in-house. "Our expertise is private-pay assisted living," said CEO Chris Randall. "Piggybacking on someone else's expertise in this market seemed like the best way to stay out of trouble, stay focused on our primary business model, have a seat at the table to assure we deliver coordinated care, and receive some of the upside."

Home health provided in an AL/IL environment also is a completely different animal from home health provided within the individual's home. "The typical home health provider is a Lone Ranger. They go to someone's home and they are the primary care provider," Randall said. "In the AL environment, they have to be part of a care planning team."

In some markets, local healthcare systems that already have their own home health agencies might resist entrance of additional competitors, panelists noted. In such cases, Cloch points out his agency's experience providing home health specifically within the AL/IL environment. "We average about 150 to 175 patients a day in home health, and all of them live in senior buildings, not out in the community," Cloch said. "Our nurses are trained to be part of a care team, not that loan wolf. We know our niche."

Putting Revenue at Risk

When it comes to improving care transitions for seniors, Cloch is not afraid to put his money where his mouth is. "I'd love to take on more and more risk, because I think there is a great opportunity in this space to impact results," he said. "But I think in order to do that you need this transformational change in the healthcare delivery system."

Before assuming greater risk for the cost of health care, panelists emphasized, senior-care organizations need to find ways to better influence the individual's risk factors. Until they do, Cloch said, "I think there is a lot more money to be made by having one more resident in a private-pay AL/IL building than there is trying to get into the risk of ACOs or anything else."

Randall also struggles to see the opportunities for greater risk-taking in the AL/IL environment. "I am an entrepreneur at heart, so I'm not risk-averse," Randall said. "And yet from strictly an assisted living piece of this puzzle, I haven't found our niche there yet. We can take the risk, but we don't control the variables. It's going to take partnerships, and we are setting ourselves up for that in the future."

At the not-for-profit Holland Home, said Tiesenga, "we haven't shied away from risk-based programs. If we can control the healthcare component, we're comfortable taking on risk."

About 10 years ago, Holland Home established a Program of All-Inclusive Care for the Elderly (PACE®) - a fully capitated program that aims to keep seniors out of nursing homes. PACE programs receive funding from both Medicaid and Medicare to provide all healthcare services for frail elderly that are otherwise eligible for nursing home placement. Holland Home reached the break even number of 100 participants within about two years, and today about 200 individuals participate in the program. A large factor in the success of PACE programs is the ability of the PACE entity to pay for supportive services that ultimately help to control other more costly healthcare services.

Holland Home's collaborative program Tandem 365 also has a risk component, Tiesenga pointed out. Under the contract, if Tandem is able to control the cost of the care coordination services, both the payer and Tandem will benefit. The organizations plan to continue exploring opportunities for further risk sharing arrangements.

One change that will accelerate the transition from volume-based to value-based reimbursement will be a shift in the metrics providers use to assess their own performance, Pingree said. By focusing on bringing down the cost of care, rather than increasing revenue generated by that care, providers all along the continuum will work together to improve the overall value of that care.

"From our perspective, one thing we are looking at is the most appropriate place for that person to be cared for," Pingree said. "We've done studies and found that a lot of what is done in the emergency department can be done in a better care setting. We're all looking at ways we can improve the affordability of healthcare, get folks in the right settings, and provide that care in the way they need it."

He encouraged post-acute and senior-care providers to approach healthcare systems like Intermountain with ideas about how they can work together to facilitate care management more effectively and efficiently and lower the overall cost of care.

"Even as large as we are, it doesn't make sense for us to do everything along the continuum," Pingree said. "We could try to build it, but we probably couldn't do it as efficiently as you can. If you come to us with a value proposition of, 'We can do this efficiently and we're not over-utilizing in the marketplace,' that is an attractive value proposition and would open up a nice partnership opportunity."

Technology Drives Better Care, But Who Pays?

Increasingly, technology plays a crucial role in delivering senior health and wellness services, as well as providing data that organizations need as they discuss opportunities to collaborate with other providers along the care continuum.

A growing number of senior care facilities are incorporating technology that enables caregivers to monitor real-time changes in daily activities and detect symptoms in residents who might not be able to report those symptoms themselves. Remote monitoring devices range from passive (such as a call button on a pendant) to active (such as contact sensors and motion sensors that automatically track residents' behaviors). The benefits range from lower rates of hospitalization to increased lengths of stay to the potential for increased revenue through additional services. These systems can even be life-saving, especially for the memory-impaired and other frail patients. For example, a GPS-based system can be programmed to alert caregivers when a particular resident nears an exit.

One Executive MBA Program attendee described the benefits of her memory care facility's remote monitoring, which allows 24/7 real-time monitoring of multiple facilities. In addition to supporting better health and safety of residents, the data captured by the devices also backs up caregivers' observations that residents need additional services, such as physical and occupational therapy.

Randall Residence has explored active monitoring in its memory care units and is working to roll out rolling out the technology to its home health patients, Randall said. While the ACOs in Randall's market "are still trying to get their legs under them and are not ready for us to be at the table with them yet," the data gathered through these monitoring systems will allow the AL provider to clearly demonstrate to those organizations how it is improving residents' health while managing costs.

However, both Randall and Cloch - representing the panel's for-profit companies—pointed out the need to realize a pretty quick return on investment from these technology investments.

"As for-profit providers, there has to be a value proposition that is either a longer length of stay and lower turnover; or the resident sees the value proposition and is willing to pay more; or we're being proactive instead of reactive, so maybe there is less staff time or other expense savings," Randall said.

While managed care insurance companies do have the incentive to keep patients out of the hospital, they are unlikely to underwrite the cost of technology for a senior care or post-acute facility, Cloch pointed out. And while monitoring technology might make those facilities more appealing to payers, "at the end of the day, how much control do they have over where their members choose to go?"

Innovations to Improve Senior Care

The changes brought about by the Affordable Care Act are encouraging every type of healthcare provider to manage individuals across care venues and be a good partner in the hand-off.

"Whereas historically we have been more focused internally on our own operations, there is a premium now on the ability to reach through the continuum and work with different people in different ways that historically have not been possible," Pingree said.

As stakeholders throughout the healthcare continuum place increasing importance on case management and care transition services, innovative organizations have tremendous potential to take some risks and expand beyond their current boundaries to take a leading position in the senior living landscape ■

About Plante Moran

Plante Moran is one of the nation's largest accounting, tax and management consulting firms providing strategic planning; assurance services; tax compliance; reimbursement; clinical and operations consulting; IT consulting; M&A support; and real estate strategy services. Healthcare is one of its largest industry groups with 200 healthcare specialists across 18 offices serving 1,800 providers nationwide, including 850 senior care and long-term living facilities. For more information, contact Jeff Heaphy at jeff.heaphy@plantemoran.com or Betsy Rust at betsy.rust@plantemoran.com.

About Lincoln Healthcare Leadership

Lincoln Healthcare Leadership's mission is to advance excellence in leadership, strategy, innovation and best practices among leading U.S. healthcare providers. An independent organizer of executive leadership communities in healthcare, Lincoln Healthcare Leadership currently offers six sector-specific conferences for senior-level healthcare executives. The Senior Living 100 Leadership & Strategy Conference attracts C-level leaders from the nation's largest, most progressive for-profit and not-for-profit senior living facilities. To register for the 2016 Senior Living 100 (March 6-9, 2016 in Austin, TX), visit www.seniorliving100.com.